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Financial Institutions Commission

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BRITISH COLUMBIA
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Financial Institutions Commission

October 1, 2008

Ms. Wendy Carmichael
Legislative Library of British Columbia
Parliament Buildings
Victoria, BC V8V 1X4

Dear Ms. Carmichael:

Re: Financial Institutions Commission Annual Report

Enclosed please find a copy of the 2007/08 Annual Report for the Financial Institutions Commission.

Yours truly,

W. Alan Clark
Chief Executive Officer

Encl.

Chief Executive Officer

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Financial Institutions Commission

Superintendent of Financial Institutions

Superintendent of Pensions

Superintendent of Real Estate

Registrar of Mortgage Brokers

Credit Union Deposit Insurance Corporation of British Columbia

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Introduction

The Financial Institutions Commission's (FICOM) 2007/08 annual report is published for the benefit of all British Columbians. This document covers our performance during the 2007/08 fiscal year, from April 1, 2007 to March 31, 2008. It contains detailed information about the regulation of financial services in British Columbia and our effectiveness as a financial services regulator.

This year's report follows guidelines for service plans and annual reports in the *Budget Transparency and Accountability Act*. Service plans must present organizational goals and performance measures, and annual reports describe the attainment of those goals. Because it was published at the same time as the BC government's budget in February, the service plan for this report appeared before the corresponding fiscal year. Therefore, the performance targets referenced in our 2007/08 annual report are those set out in our February 20, 2007 service plan.

2007|2008 — A Good Year

Much has been accomplished in FICOM's offices over the past year. The Commission regulates sectors in busy and fast-growing fields.

Thanks to the dedication of our hard-working staff, we are proud to say that we have continued to meet our desired standards of excellence.

At FICOM, like many other employers within BC, we felt the impact of the labour shortage, and hiring continued to be a particular challenge. But our dedicated staff met that challenge with quick thinking and innovative action.

"Going forward, our challenges will continue, but I am confident this organization is up to each and every challenge we face."

– W. Alan Clark, Superintendent and Chief Executive Officer (CEO)

Letter from the Commission Chair

March 2008

J. Stewart Cunningham
Chair, Financial Institutions Commission

For the past 13 years, I have had the privilege of serving as Chair of the Financial Institutions Commission. My term as Chair ends in May 2008, and I am pleased to welcome my successor, William G. Hopkins, who inherits one of the most challenging and rewarding Order-in-Council appointments in the Government of BC.

There have been many changes in the financial services sector and in regulation during my tenure as Chair. The globalization of finance, rapid technological change and the increased pace of financial service sector business have posed unique regulatory challenges. The Commission has risen to these challenges through harmonization, streamlining and modernizing its regulatory approach.

Although many things have changed, one thing has not: the Commission's commitment to the efficient and fair regulation of credit unions, insurance companies and trust companies operating in BC.

When I began my term as Chair in 1995, as of March 31, 1995, there were 101 credit unions operating in BC with deposits of $15.6 billion. As of March 31, 2008, there were 48 credit unions operating in British Columbia with deposits of $42.7 billion. Although the number of credit unions has declined, reflecting a trend towards consolidation, the enormous growth in system assets reflects the crucial role credit unions play in meeting the demands of their members for mortgages and other personal loans. Throughout the past decade, credit unions have also contributed to the regional economic development and prosperity of the province by providing commercial loans to BC businesses.

The insurance industry has seen a softening of their markets and an increasingly complex set of regulatory issues. The Commission is monitoring these developments carefully.

British Columbia is the only jurisdiction in Canada where credit union deposit insurance and regulatory programs are administered by one government agency. Mandated by statute and regulation, the deposit insurance framework has proven to be a solid foundation for the growth of the credit union movement in BC. Since 1988, the Credit Union Deposit Insurance Corporation (CUDIC) has provided deposit insurance coverage of up to $100,000 per deposit, helping BC credit unions be competitive in the marketplace.

Building on this strong foundation, CUDIC continued work on several major initiatives over the past year. These initiatives included the development of a working model for a variable deposit insurance assessment and the ongoing development of performance analysis. CUDIC has also been working on new reporting on financial instruments that involved the successful implementation of accounting standards, and size of fund analysis, including discussions and a review of the underlying assumptions of the actuarial model.

In closing, I would especially like to thank the Superintendent, W. Alan Clark, and his staff for their professionalism, courtesy and support. It has been a pleasure to work with so many dedicated public servants and fellow Commissioners over the course of my term as Chair. They have all contributed significantly to the effective operation of FICOM. I leave my position with the knowledge that the regulation of the financial institutions they supervise remains in very capable hands.

J. Stewart Cunningham
Chair, Financial Institutions Commission

Letter from the Superintendent and CEO

March 2008

On behalf of our employees, I am pleased to present the Financial Institutions Commission's (FICOM) annual report for the fiscal year 2007/08. This year's report is the seventeenth this organization has presented since its inception in 1989.

Our service plan sets out what we hope to accomplish in the coming year, and our annual report measures how we achieved the goals we set. As I have mentioned in previous years, FICOM must be accountable to its stakeholders and transparent in its operations. This report is an important step in achieving that objective.

This organization administers a number of statutes that regulate financial services (with the exception of the securities industry and banks) that impact almost every household in British Columbia.

As seen last year, the financial services industry continues to grow and change at a rapid pace. However, we did see some shifts in business activities in certain sectors. It has been challenging for FICOM to keep up with the change. Some highlights of the growth include:

- An increase of almost 11% in the overall number of real estate disclosure statement filings from the previous year;
- An increase of almost 8% in the number of mortgage broker registrants from last year; the number of submortgage brokers employed increased by 14%;
- A steady increase of about 10% on net premiums written by insurers in BC (excluding ICBC);
- Continued growth and consolidation in the credit union industry;
- Increased interest in BC based trust companies; and
- The increased challenges of regulating the pension industry.

As in previous years, we had to take regulatory action in a number of areas of the industries we regulate. We feel it is important to take swift, decisive action when individuals or companies conduct themselves in a manner that will impact the public confidence in the industries we regulate.

In addition, we also participated in projects to enhance our regulatory effectiveness. For example, we participated in the Canadian Association of Pension Supervisory Authorities (CAPSA) for simplification and harmonization of pension regulation across Canada. Discussions were held and are continuing to finalize the Trade, Investment and Labour Mobility Agreement (TILMA), which has significant impact on our regulatory role. During the past year, FICOM started collecting the credit union financial data previously held by Stabilization Central Credit Union.

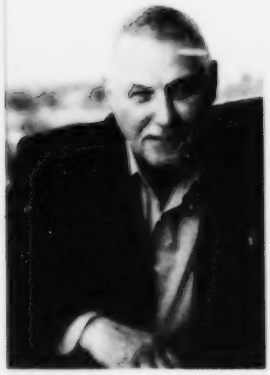
Last year we saw an increase in the number of pre-sale contracts terminated by developers before purchases were complete. To help prospective buyers make informed decisions when considering pre-sale agreements, new policy statements were introduced requiring additional disclosure on the developer and the development property.

I would like to acknowledge and thank the industry organizations with whom we work closely for their assistance and co-operation during the year, especially:

- The Real Estate Council of BC;
- The Insurance Council of BC;
- The Mortgage Brokers Association of BC;
- Central Credit Union of BC; and
- Stabilization Central Credit Union.

Going forward, our challenges will continue, but I am confident this organization is up to each and every challenge we face. In closing, I wish to thank our staff for their hard work, dedication, sense of responsibility and support. Their valued contributions are our success.

I invite you to visit our website to review our annual report and service plan, and for more information about FICOM and our regulatory and other activities.



W. Alan Clark
CEO, Financial Institutions Commission

W. Alan Clark
CEO, Financial Institutions Commission

*FICOM Commissioners**

Chair	**J. Stewart Cunningham**
Commissioners	**Chris Trumpy (ex officio)**
	Mark R. Daniels
	William G. Hopkins
	Vickie McDonnell
	Janet Pau

*All positions effective as of March 31, 2008.

*FICOM Executive Management**

Superintendent and Chief Executive Officer	**W. Alan Clark**
Deputy Superintendent, Credit Unions, Trusts & Real Estate and Deputy Registrar, Mortgage Brokers	**L. Jay Mitchell**
Deputy Superintendent, Insurance and Pensions	**C. Michael Grist**
Executive Director, Credit Unions and Trusts	**Wayne Nagai**
Executive Director, Real Estate and Mortgage Brokers	**Elizabeth Warshawski**
Executive Director, Pensions	**Michael Peters**
Executive Director, Insurance	**Doug McLean**
Executive Director, Investigative Services	**Ken Fraser**
Executive Director, Administrative Services	**Nick Miller**

*All positions effective as of March 31, 2008.

FICOM at a Glance

Vision

FICOM's vision is to be the most progressive and cost-effective regulator in Canada of financial services, pensions, and real estate services: protecting the public interest, keeping pace with industry change and leading effective regulatory reform.

Mission

Our mission is to maintain confidence in BC's financial services sector by effective regulation.

Value

Four distinct values govern our actions at FICOM:

- **Effectiveness.** We focus on obtaining results, even when they are difficult to measure, rather than on activities. We anticipate problems before they arise and address them in a timely manner.
- **Integrity.** We value honesty, co-operation, transparency, reliability, fairness and respect within the workplace and demonstrate these qualities in the exercise of our regulatory function.
- **Professionalism.** We take pride in the quality of our work and continually strive to improve ourselves by seeking knowledge, revising our methods and providing innovative solutions.
- **Accountability.** We are accountable for the decisions we make.

FICOM's Structure

As an agency of the BC government, FICOM is responsible for administering 10 statutes. They are listed on page 11.

With approximately 83 staff members hired under the *Public Service Act*, the Commission is headed by CEO W. Alan Clark, who supervises FICOM's day-to-day operations. Mr. Clark is also Superintendent of Financial Institutions, Superintendent of Pensions, Superintendent of Real Estate, Registrar of Mortgage Brokers and CEO of the Credit Union Deposit Insurance Corporation.

Commissioners

The *Financial Institutions Act* and the *Administrative Tribunals Appointment and Administration Act* set out how Commissioners are appointed. BC's Lieutenant-Governor-in-Council, after a merit-based process and with recommendations from the Minister of Finance, may appoint up to 11 Commissioners.

Commissioners have two main roles. First, they make major regulatory decisions about incorporations, business authorizations, amalgamations, liquidations and wind-ups of financial institutions in BC. Second, Commissioners make decisions about credit union stabilization, supervision and deposit insurance. (Stabilization and supervision are regulatory powers used to assist credit unions that are experiencing financial or other difficulties.)

Commissioners have no legislative responsibilities with respect to the other statutes administered by FICOM, such as the *Real Estate Services Act*, the *Real Estate Development Marketing Act*, the *Mortgage Brokers Act* or the *Pension Benefits Standards Act*. Some responsibilities under the *Financial Institutions Act* and the *Credit Union Incorporation Act* have been delegated to the Superintendent of Financial Institutions under an Instrument of Delegation by the Financial Institutions Commission.

Commissioners serve as directors of CUDIC unless otherwise specified by the Lieutenant-Governor-in-Council. CUDIC, a statutory corporation, is a separate entity from the Commission. Its mandate is to guarantee deposits and non-equity shares of depositors of BC credit unions, up to the limits prescribed by legislation.

Core Business Areas

Using specific acts of legislation as guidelines, our staff supervise five areas of operation in BC: credit unions and trusts, real estate, mortgage brokers, insurance and pensions.

The Credit Unions and Trusts Department is responsible for the regulation of credit unions and trust companies under the *Financial Institutions Act* and the *Credit Union Incorporation Act*.

The Real Estate and Mortgage Brokers Department is responsible for the registration and regulation of registrants under the *Mortgage Brokers Act*; the administration of the *Real Estate Development Marketing Act*; approval of certain forms under the *Strata Property Act*; and ensuring that unlicensed realtor activity under the *Real Estate Services Act* is investigated.

The Real Estate Council of British Columbia, a self-regulatory body separate from FICOM, is responsible for the licensing and conduct of real estate professionals in British Columbia. The Superintendent of Real Estate may appeal disciplinary decisions of the Real Estate Council to the Financial Services Tribunal.

The Insurance Department has specific regulatory responsibilities under the *Financial Institutions Act*, the *Insurance Act*, and the *Insurance (Captive Company) Act*. The department ensures that insurers are properly authorized; supervises insurers and addresses solvency and market conduct concerns with their operations; maintains a timely and efficient registration system for insurers and captive insurance companies; and works with other jurisdictions to effectively deal with cross-jurisdictional regulatory problems.

The Pensions Department regulates all pension plans registered in BC under the *Pension Benefits Standards Act*.

Support Business Areas

Four separate offices provide support services to our core business areas. The Investigative Services Department examines significant statutory breaches of all acts administered by FICOM and conducts investigations into related criminal matters such as fraud. The Departments of Administrative Services (Records, Systems, Accounting and the Contact Centre), Operational Services and the CEO's office also offer support to FICOM.

The Statutes that We Administer

Our staff administer 10 statutes in the province of BC.

- The ***Credit Union Incorporation Act*** provides a corporate governance framework for credit unions within the province.
- The ***Financial Institutions Act*** provides a regulatory framework to govern all provincially regulated financial institutions, including trust companies, insurance companies and credit unions. It also provides the licensing and regulatory framework for insurance agents, salespersons and adjusters under the supervision of the Insurance Council of British Columbia. This statute further provides for a credit union deposit insurance fund.
- The ***Insurance Act*** provides statutory requirements for insurance contracts.
- The ***Insurance (Captive Company) Act*** establishes BC as a domicile for captive insurance companies and provides them with a registration and regulatory framework.
- The ***Insurance (Marine) Act*** provides certain statutory requirements for contracts of marine insurance.
- The ***Mortgage Brokers Act*** provides a registration and regulatory framework for mortgage brokers.
- The ***Pension Benefits Standards Act*** provides a supervisory framework and minimum standards for provincial pension plans in BC.
- The ***Real Estate Development Marketing Act*** provides a regulatory framework for the marketing of certain real estate developments.
- The ***Real Estate Services Act*** provides a framework for the licensing and market conduct of real estate professionals. Under this statute, the Real Estate Council of British Columbia regulates real estate brokerages, real estate representatives, property managers, and strata managers.
- The ***Strata Property Act*** gives a framework for the development, governance and management of strata corporations.

Quick Facts

As of March 31, 2008, the Credit Unions and Trusts Department regulated 50 credit unions, including Credit Union Central of BC and Stabilization Central Credit Union of BC, seven provincial trust companies, and 47 extraprovincial trust companies. Total assets of BC's credit union system were $42.7 billion, up $3.4 billion from last year.

Mortgage broker registrations continued to climb by 7.9% for mortgage brokers and 14.1% for submortgage brokers. However, there was a significant shift in the activities performed by these mortgage brokers: mortgage lending and administration activities significantly declined, while more traditional brokering activities, such as mortgage originations, increased.

The past year saw continued strong growth in the number of residential real estate developments marketed in BC. The overall number of filings for developments increased 10.9% and included many developments that had not yet been constructed, as well as developments located outside BC but marketed within the province.

As of December 31, 2007, the BC pension plan asset base was $87.7 billion. The number of registered pension plans in BC declined from 820 to 798 owing to plan terminations, mergers and the transfer of two pension plans to other provincial jurisdictions.

British Columbia is Canada's third largest insurance market. By the end of 2007/08, there were 267 authorized insurers (excluding ICBC) operating in the province, writing $6.6 billion in insurance premiums.

The FICOM Investigative Services Department opened 181 investigation files between April 1, 2007 and March 31, 2008. Of these files, 112 or 62% were real estate investigations.

FICOM had 459,085 visitors to our website during the period April 1, 2007 to March 31, 2008.

Service Plan Report

Our February 20, 2007 service plan outlined seven goals for the 2007/08 fiscal year:

Goal 1

British Columbians have confidence in credit unions and trusts.

Goal 2

British Columbians have confidence in insurers.

Goal 3

British Columbians have confidence in provincially regulated pension plans.

Goal 4

British Columbians have confidence that mortgage brokers are regulated effectively.

Goal 5

British Columbians have confidence in the administration of the *Real Estate Development Marketing Act* and the approval process for strata plans.

Goal 6

The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.

Goal 7

FICOM is administratively effective and efficient.

Maintaining British Columbians' Confidence in Credit Unions and Trust Companies

In 2007/08 our staff worked hard to ensure that all of BC's credit unions and trust companies conducted business safely and were effectively regulated.

Regulations require the province's trusts and credit unions to identify and manage the risks they face. We monitored their ability to do so, and when they failed, we stepped in and took regulatory action.

We have dealt with issues and circumstances that posed a risk to depositors by taking regulatory action where appropriate. At the same time, we acknowledge that the marketplace for financial services is very competitive, and we have reduced the regulatory burden as much as possible.

The Credit Unions and Trusts Department is dynamic and is the largest group within FICOM.

As of March 31, 2008, the Credit Unions and Trusts Department regulated 48 credit unions, two central credit unions, seven provincial trust companies, and 47 extraprovincial trust companies (see Table 1). Total assets of BC's credit union system were $42.7 billion, up $3.4 billion from last year, while total assets under administration by provincial and extraprovincial trust companies for the same period were $181.2 billion.

Table 1: Authorized Financial Institutions in British Columbia

Authorized Financial Institutions	2005/06	2006/07	2007/08
Credit Unions	52	51	48
Central Credit Unions	2	2	2
Credit Union System Total Assets	$35.8 billion	$39.3billion	$42.7 billion
BC Incorporated Trust Companies	7	7	7
Extraprovincial Trust Companies	46	46	47
Trust Company Total Deposits in BC	$6.1 billion	$5.9 billion	$7.2 billion
Trust Company Total Assets Under Administration in BC	$151 billion	$135 billion	$181.2 billion
Regulatory Activities	**2005/06**	**2006/07**	**2007/08**
Business Authorization Applications for Trust Companies – Approved	5	1	1
Amalgamation of Extraprovincial Trust Companies	2	0	0
Credit Unions Merged	2	1	3
Credit Unions Under Supervision	4	5	2

Authorized Financial Institutions in British Columbia

British Columbia's 50 authorized credit unions effective March 31, 2008 included:

- Aldergrove Credit Union
- Bulkley Valley Credit Union
- CCEC Credit Union
- Coast Capital Savings Credit Union
- Coastal Community Credit Union
- Columbia Valley Credit Union
- Community Savings Credit Union
- Compensation Employees Credit Union
- Credit Union Central of British Columbia
- Creston & District Credit Union
- Cumberland & District Credit Union
- East Kootenay Community Credit Union
- Enderby & District Credit Union
- Envision Credit Union
- First Credit Union
- Grand Forks District Savings Credit Union
- Greater Vancouver Community Credit Union
- Gulf and Fraser Fishermen's Credit Union
- Heritage Credit Union
- Integris Credit Union
- Interior Savings Credit Union
- Island Savings Credit Union
- Khalsa Credit Union
- Kootenay Savings Credit Union
- Ladysmith & District Credit Union
- Lake View Credit Union
- Mount Lehman Credit Union
- Nelson & District Credit Union
- North Peace Savings and Credit Union
- North Shore Credit Union
- Northern Savings Credit Union
- Operating Engineers Credit Union
- Osoyoos Credit Union
- Prospera Credit Union
- Quadra Credit Union
- Revelstoke Credit Union
- Salmon Arm Savings and Credit Union
- Sharons Credit Union
- Spruce Credit Union
- Stabilization Central Credit Union of British Columbia
- Summerland & District Credit Union
- Sunshine Coast Credit Union
- Union Bay Credit Union
- V.P. Credit Union
- Valley First Credit Union
- Vancouver City Savings Credit Union
- Vancouver Firefighters Credit Union
- VantageOne Credit Union
- Westminster Savings Credit Union
- Williams Lake & District Credit Union

Provincially incorporated trust compan with business authorizations effective March 31, 2008 included:

- All Nations Trust Company
- Asian Trust Company Inc.*
- Community Western Trust Corporation
- Pacific Corporate Trust Corporation
- Solus Trust Company Limited
- Staffordshire Trust Company*
- Western Pacific Trust Company

*Restricted trust

Goal 1 is for British Columbians to have confidence in credit unions and trusts because they are effectively regulated.

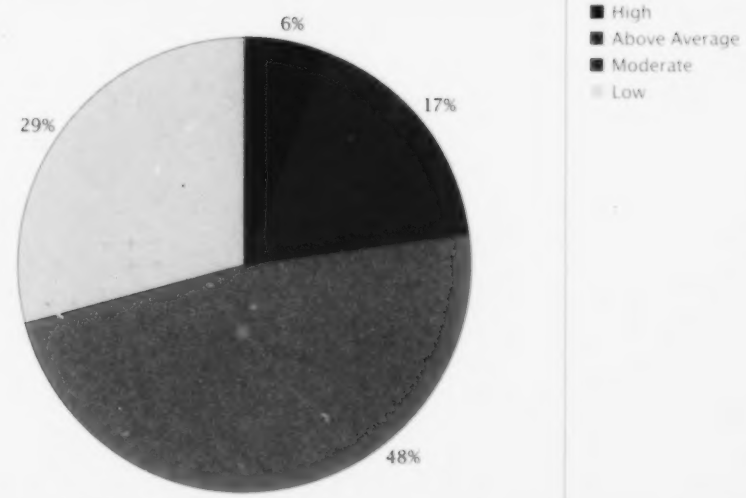
The Supervisory Framework accommodates the diversity of the provincially regulated financial institutions in terms of size and activities by gearing supervisory attention to each individual financial institution's unique activities and risks. It also provides for supervisory strategy to be optimally adjusted to the effectiveness of the risk management processes employed by the financial institutions.

Risk assessment entails identifying significant activities of an institution and assessing each activity for all inherent business risks and risk management practices based on a number of specific criteria. The resulting residual risk in these activities is a function of the aggregate inherent risk offset by the aggregate quality of risk management. In the final step, the overall outcome of the residual risk assessment of the institution as a whole is compared to its financial strength in terms of solvency (capital ratio) and profitability (return on average assets) to determine an appropriate composite risk rating.

Department staff continued to evaluate credit unions with the risk-based supervisory framework and, as of March 31, 2008, all credit unions had been reviewed.

Figure 1 shows that composite risk for 77% of 48 credit unions is moderate to low.

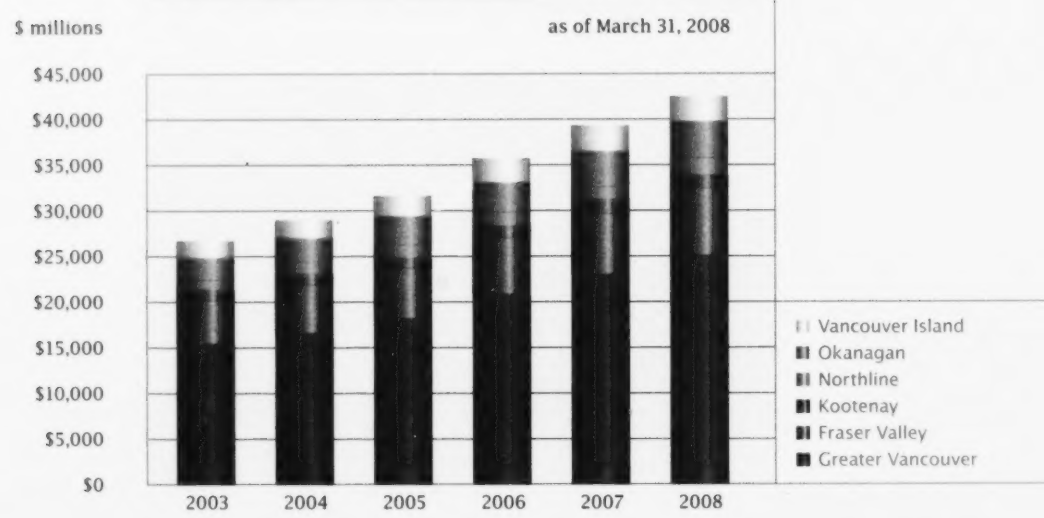
Figure 1: Composite Risk for all 48 Credit Unions as of March 31, 2008



During the year, three credit unions were merged and one credit union was released from supervision. As of March 31, 2008 there was a total of two credit unions under supervision.

Credit unions continue to respond to the needs of their members, including members' demands for mortgages and other personal loans. Figure 2 shows the increase in total assets by region over the past five years. The Fraser Valley and Greater Vancouver regions account for approximately 76% of the total assets in 2008 compared to 65% in 2003.

Figure 2: BC Credit Union System Assets By Region



The following table describes the cost of credit union regulation in British Columbia.

Table 2: The Cost of Credit Union Regulation

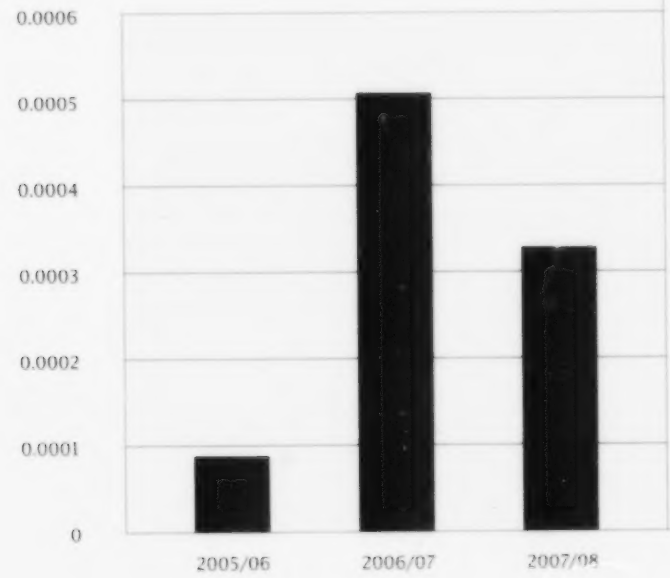
Credit Union Regulation and Deposit Insurance	2005/06	2006/07	2007/08
Total FICOM Credit Union Fees*	$3,208,653	$3,487,185	$3,772,569
Total CUDIC Assessments	$Nil**	$16,218,247	$10,245,966
Total Credit Union Assets	$36,019,848,495	$38,912,972,387	$42,687,763,557

* includes approvals, business authorizations, incorporations, amalgamations and mergers

** does not include a one-time assessment of $83 million to increase the deposit insurance fund

FICOM is committed to reducing the cost of financial sector regulation in BC. Figure 3 outlines the amount of credit union fees FICOM collected in past fiscal years, divided by the value of credit union assets in BC.

Figure 3: Ratio of FICOM Credit Union Fees and Assessments to Total Credit Union Assets—Based on Audited Year-end Data



Staff continue to expand their use of two new software packages. TeamMate, for everyday file management, and Methodware, for risk assessment. Both programs are used extensively in our supervisory framework process.

Also, FICOM successfully repatriated the credit union financial database back to our offices from the province's stabilization authority, Stabilization Central Credit Union of British Columbia.

Through the past year in-house training on TeamMate and Methodware continued. Staff attended seminars and conferences on money laundering, International Financial Reporting Standards, money lending and Treasury.

We continue to enjoy our success of past years in employing students from post-secondary co-operative work programs. Most co-op students have come from either Simon Fraser University or the University of Victoria and normally stay for terms of four or eight months.

Keeping the Public's Trust in Insurers

Goal 2 is for British Columbians to have confidence in insurers.

British Columbia is Canada's third largest insurance market. By the end of 2007/08, there were 267 authorized insurers (excluding ICBC) operating in the province writing $6.6 billion in insurance premiums (see Table 3).

Our job in the Insurance Department is to regulate these private-sector insurers. We did this during fiscal 2007/08 by maintaining an efficient business authorization system for insurers, regulating market conduct and the solvency of authorized insurers, and preventing unauthorized insurance activity. When necessary, we took enforcement action against those who contravened the requirements of the legislation to ensure compliance. These activities support Goal 2 of the 2007/08 service plan, that British Columbians have confidence in insurers because they are effectively regulated.

The following table provides a description of regulation of insurers.

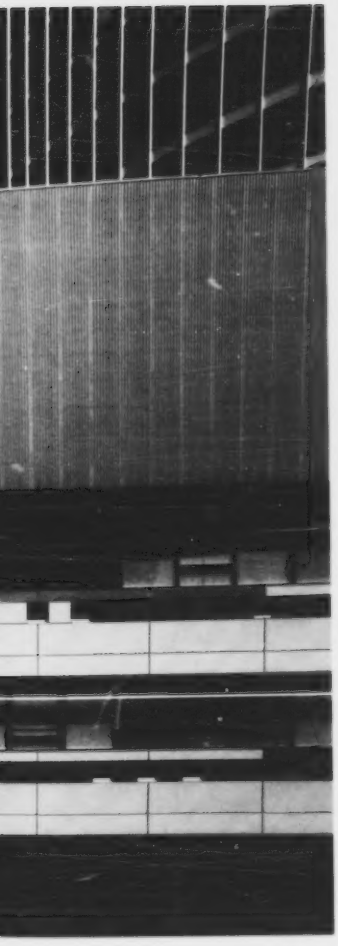
Table 3: Regulation of Insurers in British Columbia

Authorized Insurers	2004/05	2005/06	2006/07	2007/08
BC Incorporated Insurance Companies and Fraternal Insurance Societies	8	7	7	8
Extraprovincial Insurance Companies	230	232	230	233
Reciprocal Insurance Companies	5	5	7	7
Captive Insurance Companies	13	16	18	19
Net Premiums Written in BC (excluding ICBC)	$5.5 billion	$5.7 billion	$6.0 billion	$6.6 billion
Regulatory Activities	**2004/05**	**2005/06**	**2006/07**	**2007/08**
Applications for New Business Authorizations from Insurance Companies* – Received	10	7	8	10
New Business Authorizations from Insurance Companies* – Approved	10	7	7	8
Revocations of Insurance Company Business Authorizations – Approved	10	6	9	5
Number of Applications for Amalgamations from Insurance Companies – Received	2	1	1	0
Amalgamations of Insurance Companies – Approved	2	1	1	0
Number of On-site Inspections Performed	5	5	5	3
Number of Compliance Issues Handled	126	86	86	91

*Includes incorporations

In addition to carrying out the day-to-day work associated with these responsibilities, the Insurance Department undertook a number of special projects in 2007/2008:

- British Columbia participated heavily in the activities of the Canadian Council of Insurance Regulators (CCIR). The CCIR Chair was Michael Grist, British Columbia's Deputy Superintendent of Insurance and Pensions, and Insurance Department staff had active roles in seven of the association's working groups.
- The CCIR brings together insurance regulatory authorities from each province and territory as well as the federal government. Together we work to develop solutions to common regulatory issues with the overall goal of facilitating and promoting an efficient and effective insurance regulatory system to serve the public interest.
- We participated in several legislation reviews, including the Ministry of Finance's ongoing review of British Columbia's *Insurance Act*.
- We continued to play an advisory role in implementing the TILMA between Alberta and British Columbia.
- We updated the financial filing forms for general and life insurers to take into account recent changes to the Canadian Generally Accepted Accounting Principles.
- We issued a new Information Bulletin on the repeal of Part 6 of the *Insurance Act* and changes to *Insurance (Vehicle) Act*, which eliminated the requirement for automobile insurers to file rates or rate changes with this office and obtain the Superintendent's approval of their applications and contracts prior to use.
- We circulated an advisory to all provincially regulated insurers on the changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. These changes require all financial institutions to expand their customer due diligence and transaction reporting requirements.
- We surveyed all provincially regulated insurers and non-federal extraprovincial regulated insurers on their possible exposure to asset-backed commercial paper. A similar review was conducted by the Office of the Superintendent of Financial Institutions (OSFI) on federally regulated insurers.
- We reviewed the changes to Part XIII of the federal *Insurance Companies Act* to determine the potential implications on the British Columbia regulatory framework for insurance.
- The Superintendent of Financial Institutions issued a cease-and-desist order against Insurance Dynamics Network Inc. and Qualitas Compania de Seguros S.A. de C.V. As a result of an investigation it was found that these entities were marketing Mexican automobile insurance products without the appropriate authorizations to conduct insurance business in British Columbia.
- We dealt with an expansion of interest in the province's Captive Insurance Domicile program. Captive insurance companies provide insurance services to associated organizations like corporate conglomerates or associations. British Columbia is the only Canadian jurisdiction which presently provides for captive insurers. During the past three years the program expanded from 13 to 19 captive insurance companies.



In spite of increased workloads and new responsibilities, the cost of insurance regulation at FICOM remains very reasonable. Table 4 shows the insurance fees FICOM collected in past fiscal years, divided by the amount of insurance premiums written in British Columbia.

Table 4 The Cost of Insurance Regulation

Fees and Premiums	2004/05	2005/06	2006/07	2007/08
Total FICOM Insurance Fees* – Annual	$2,186,152	$2,151,042	$2,090,940	$2,231,817
Net Premiums Written in BC (excluding ICBC)	$5.3 billion	$5.7 billion	$6.0 billion	$6.6 billion
Ratio of FICOM Insurance Fees to Net Premiums Written	.000412	.000377	.000348	.000338

*Includes approvals, business authorizations, incorporations, amalgamations and mergers

Appendix 1 provides a list of British Columbia authorized insurers as of March 31, 2008.

Insurers – Appendix 1

Provincial Insurance Companies:

- BCAA Insurance Corporation
- British Columbia Life & Casualty Company
- Mutual Fire Insurance Company of British Columbia
- Optimum West Insurance Company
- Pacific Coast Fishermen's Mutual Marine Insurance Company
- PBC Health Benefits Society
- Situs West Title Insurance Company Limited (incorporated but not authorized)
- Westland Insurance Company Limited

Captive Insurance Companies:

- Baycrest Captive Insurance Company Limited
- BCF Captive Insurance Company Ltd.
- BCR Captive Insurance Co. Ltd.
- BMC Financial Inc.
- Canadian Blood Services Captive Insurance Company Ltd.
- CRNBC Captive Insurance Company
- CUPP Services Ltd.
- CLBH Captive Insurance Company Ltd.
- Great Pacific Captive Insurance Ltd.
- Hyundai Auto Canada Captive Insurance Inc.
- LSBC Captive Insurance Company Ltd.
- MacDon Financial Inc.
- PacCorp Financial Inc.
- Pengins International Corp.
- RCA Indemnity Corporation
- TorLea Casualty Ltd.
- Transportation Property & Casualty Company Inc.
- West Fraser Captive Inc.
- Westcoast Indemnity Company Limited

Reciprocal Exchanges:

- Asset Protection Insurance Exchange
- Canadian Airports Reciprocal Insurance Exchange
- Canadian Universities Reciprocal Insurance Exchange
- Community Newspapers Reciprocal Insurance Exchange
- Healthcare Insurance Reciprocal of Canada
- Lumbermen's Underwriting Alliance
- Municipal Insurance Association of British Columbia

Extraprovincial Insurance Companies:

- ACE INA Insurance
- ACE INA Life Insurance
- Actra Fraternal Benefit Society
- Aetna Life Insurance Company
- Affiliated FM Insurance Company
- AIG Assurance Canada
- AIG Life Insurance Company of Canada
- AIG United Guaranty Mortgage Insurance Company Canada
- Alberta Motor Association Insurance Company
- Allianz Global Risks US Insurance Company
- Allianz Life Insurance Company of North America
- Allstate Insurance Company
- Allstate Insurance Company of Canada
- American Bankers Insurance Company of Florida
- American Bankers Life Assurance Company of Florida
- American Health and Life Insurance Company
- American Home Assurance Company
- American Income Life Insurance Company
- American Road Insurance Company, The
- AMEX Assurance Company
- Anglo Canada General Insurance Company
- Arch Insurance Company
- Ascentus Insurance Ltd.
- Aspen Insurance UK Limited
- Associated Electric & Gas Insurance Services Ltd.
- Assumption Mutual Life Insurance Company
- Assurant Life of Canada
- Atradius Credit Insurance N.V.
- Aviva Insurance Company of Canada
- Aviva International Insurance Limited
- AXA Assurances Inc.
- AXA Equitable Life Insurance Company
- AXA Insurance (Canada)
- AXA Pacific Insurance Company
- Belair Insurance Company Inc.
- Berkley Insurance Company
- Blue Cross Life Insurance Company of Canada
- BMO Life Insurance Company
- Boiler Inspection and Insurance Company of Canada, The

- British Aviation Insurance Company Limited, The
- Canada Life Assurance Company, The
- Canada Life Insurance Company of Canada, The
- Canadian Direct Insurance Incorporated
- Canadian Farm Insurance Corp.
- Canadian Northern Shield Insurance Company
- Canadian Premier Life Insurance Company
- Canadian Union Insurance Company
- Canassurance Insurance Company
- Centennial Insurance Company
- Chicago Title Insurance Company
- Chubb Insurance Company of Canada
- CIBC Life Insurance Company Limited
- CIGNA Life Insurance Company of Canada
- Combined Insurance Company of America
- Commerce and Industry Insurance Company of Canada
- Commonwealth Insurance Company
- Compagnie Française d'Assurance pour le Commerce Extérieur
- CompCorp Life Insurance Company
- Continental Casualty Company
- Co-operators General Insurance Company
- Co-operators Life Insurance Company
- COSECO Insurance Company
- Croatian Fraternal Union of America
- CT Financial Assurance Company
- CUMIS General Insurance Company
- Cumis Life Insurance Company
- Cuna Mutual Insurance Society
- DaimlerChrysler Insurance Company
- Desjardins Financial Security Life Assurance Company
- Dominion of Canada General Insurance Company, The
- Eagle Star Insurance Company Limited
- Ecclesiastical Insurance Office PLC
- Echelon General Insurance Company
- Economical Mutual Insurance Company
- Electric Insurance Company
- Elite Insurance Company
- Empire Life Insurance Company, The
- Employers Insurance Company of Wausau
- Employers Reinsurance Corporation
- Equitable Life Insurance Company of Canada, The
- EULER American Credit Indemnity Company
- Everest Insurance Company of Canada
- Factory Mutual Insurance Company
- FCT Insurance Company Ltd.
- Federal Insurance Company
- Federated Insurance Company of Canada
- Federation Insurance Company of Canada
- Fenchurch General Insurance Company
- Fidelity Investments Insurance Company of Canada
- First American Title Insurance Company
- First Canadian Insurance Corporation
- First North American Insurance Company
- Forethought Life Insurance Company
- GCAN Insurance Company
- General American Life Insurance Company
- General Re Life Corporation
- General Reinsurance Corporation
- Genworth Financial Mortgage Insurance Company Canada
- Gerber Life Insurance Company
- Global Reinsurance Company
- GMS Insurance Inc.
- Gore Mutual Insurance Company
- Grain Insurance and Guarantee Company
- Grand Orange Lodge of British America, The
- Great American Insurance Company
- Great American Insurance Company of New York
- Great-West Life Assurance Company, The
- Green Shield Canada
- Guarantee Company of North America, The
- Hartford Fire Insurance Company
- Hartford Life Insurance Company
- Household Life Insurance Company
- Independent Order of Foresters, The
- Industrial Alliance Insurance and Financial Services Inc.
- Industrial-Alliance Pacific General Insurance Corporation
- Industrial-Alliance Pacific Life Insurance Company
- ING Insurance Company of Canada
- ING Novex Insurance Company of Canada
- Innovative Insurance Corporation
- Jevco Insurance Company
- Jewelers Mutual Insurance Company
- Kingsway General Insurance Company
- Knights of Columbus
- La Capitale Insurance and Financial Services Inc.
- Lawyers' Professional Indemnity Company
- Lawyers Title Insurance Corporation
- Legacy General Insurance Company
- L'Entraide Assurance Mutual Company
- Liberty Life Assurance Company of Boston
- Liberty Mutual Insurance Company
- Life Insurance Company of North America
- Life Investors Insurance Company of America
- Lloyd's Underwriters
- Lombard General Insurance Company of Canada
- Lombard Insurance Company
- London and Midland General Insurance Company

- London Life Insurance Company
- L'Unique General Insurance Inc.
- Lutheran Life Insurance Society of Canada
- Manufacturers Life Insurance Company, The
- Manulife Canada Ltd.
- Markel Insurance Company of Canada
- MAX Canada Insurance Company
- MD Life Insurance Company
- MetLife Canada
- Metropolitan Life Insurance Company
- Millennium Insurance Corporation
- Minnesota Life Insurance Company
- Mitsui Sumitomo Insurance Company Ltd.
- Mortgage Insurance Company of Canada, The
- Motors Insurance Corporation
- Munich Reinsurance America, Inc.
- Munich Reinsurance Company of Canada
- National Bank Life Insurance Company
- National Liability & Fire Insurance Company
- New York Life Insurance Company
- NIPPONKOA Insurance, Limited
- Nordic Insurance Company of Canada, The
- North American Specialty Insurance Company
- North West Commercial Travellers' Association of Canada, The
- Old Republic Insurance Company of Canada
- Omega General Insurance Company
- Order of United Commercial Travelers of America, The
- Peace Hills General Insurance Company
- Penncorp Life Insurance Company
- Pennsylvania Life Insurance Company
- Personal Insurance Company, The
- Perth Insurance Company
- PMI Mortgage Insurance Company Canada
- Portage La Prairie Mutual Insurance Company, The
- Primerica Life Insurance Company of Canada
- Primmum Insurance Company
- Principal Life Insurance Company
- Protective Insurance Company
- RBC General Insurance Company
- RBC Life Insurance Company
- RBC Travel Insurance Company
- Reliable Life Insurance Company
- RGA Life Reinsurance Company of Canada
- Royal & Sun Alliance Insurance Company of Canada
- Scotia General Insurance Company
- Scotia Life Insurance Company
- Scottish & York Insurance Co. Limited
- SecuriCan General Insurance Company
- Security Insurance Company of Hartford
- Security National Insurance Company
- Sentry Insurance A Mutual Company
- Sompo Japan Insurance Inc.
- Sons of Scotland Benevolent Association
- Sovereign General Insurance Company, The
- SSQ, Life Insurance Company, Inc.
- St. Paul Fire and Marine Insurance Company
- Standard Life Assurance Company 2006, The
- Standard Life Assurance Company of Canada, The
- Standard Life Assurance Limited
- Stewart Title Guaranty Company
- Stonebridge Life Insurance Company
- Sunderland Mutual Marine Insurance Company Limited
- Sun Life Assurance Company of Canada
- Sun Life Insurance (Canada) Limited
- Swiss Reinsurance Company
- Swiss Re Life & Health Canada
- Swiss Reinsurance Company Canada
- T.H.E. Insurance Company
- TD General Insurance Company
- TD Home and Auto Insurance Company
- TD Life Insurance Company
- Temple Insurance Company
- Tokio Marine & Nichido Fire Insurance Co., Ltd.
- Traders General Insurance Company
- Trafalgar Insurance Company of Canada
- Trans Global Insurance Company
- Trans Global Life Insurance Company
- Transamerica Life Canada
- Transatlantic Reinsurance Company
- Travelers Guarantee Company of Canada
- Triad Guaranty Insurance Corporation Canada
- Trisura Guarantee Insurance Company
- Unifund Assurance Company
- United American Insurance Company
- Unity Life of Canada
- Virginia Surety Company, Inc.
- Washington National Insurance Company
- Waterloo Insurance Company
- Wawanesa Life Insurance Company, The
- Wawanesa Mutual Insurance Company, The
- Western Life Assurance Company
- Western Surety Company
- Woman's Life Insurance Society
- XL Insurance Company Limited
- XL Reinsurance America Inc.
- Zenith Insurance Company
- Zurich Insurance Company

Maintaining British Columbians' Confidence in Provincially Registered Pension Plans

British Columbia is Canada's fourth largest regulator of registered pension plans. By the end of 2007/08, there were 798 pension plans registered in the province. These plans covered 513,546 currently employed members, and another 382,615 retirees or former employees. Assets under administration in these plans exceeded $87.7 billion.

Our job in the Pensions Department is to ensure that plans are administered appropriately, including regulation of the funding of plans. In 2007/08 this was accomplished through maintaining an efficient registration system for new plans and plan amendments, reviewing financial and actuarial valuation reports, responding to enquiries and complaints, and undertaking enforcement action against those who contravened the requirements of legislation to ensure compliance.

In addition, we worked closely with other regulators in Canada to protect the interests of British Columbians who participate in pension plans registered elsewhere in the country. There are 1,327 pension plans registered in other jurisdictions covering more than 76,500 British Columbians. There are 175 pension plans with 18,500 members working in other provinces registered in British Columbia.

Table 5 outlines some of the key facts about BC pension plans and our regulatory activities.

Table 5: BC Pension Plans Facts and Regulatory Activities

	2007
Registered Pension Plans	798
Pension Plan Assets	$87.7 billion
Active Plan Members	513,546
Pensioners	206,023
Deferred	176,592
Regulatory Activities	
New Plans	24
Approved Terminations	25
Registered Amendments	242
RSP/LIF	150
Completed	1558
Regulatory Fees	
Average Fees per Member	$1.42
Average Fees per Active Member	$2.48
Average Fee per $1,000 of Assets	$0.0145

In addition to carrying out the day-to-day work associated with these responsibilities, 2007/08 presented the department with a number of special challenges.

Plan funding remains a significant issue in the pension sector. In October 2007 the Minister of Finance, in conjunction with her Alberta colleague, announced the creation of the Joint Expert Panel on Pension Standards (the Expert Panel) to review pension standards legislation in both British Columbia and Alberta. The Expert Panel has been asked to undertake a full and independent review of all aspects of pension legislation, including the funding of pension plans. The department has worked closely with the Expert Panel, providing background information and support.

The Reciprocal Agreement Committee of the Canadian Association of Pension Supervisory Authorities has been working to renegotiate the 1968 Memorandum of Reciprocal Agreement for pension plans that have members in more than one province. This project is nearing completion. British Columbia officials continue to participate in these negotiations, and a draft model agreement was approved in principle by all pension regulators in spring 2008.

We have been closely monitoring the pension plans sponsored by Pope & Talbot, which was granted protection from its creditors in October 2007. The department has worked closely with Pope & Talbot, their agents, the court-appointed monitor and legal counsel on this matter.

We are aware of the recent difficulties encountered in the broader forestry industry sector and are reviewing the status of plans sponsored by employers in this sector.

The Superintendent of Pensions received several reports of non-remittance of contributions by employers sponsoring pension plans. Charges were brought against one employer, and that matter is before the court. Other investigations are ongoing.

Market performance in 2007 was volatile, and we expect that the funded and solvency ratios of plans will reflect that volatility. We will continue to monitor these plans to ensure that administrators implement appropriate funding arrangements.

Goal 3 is for British Columbians to have confidence in provincially registered pension plans because they are effectively regulated.

At the close of the 2007/08 fiscal year, amendments to the *Pension Benefits Standards Act* to increase the maximum pensionable age from 69 to 71 and allow for phased retirement were tabled in the legislature.

Appendix 1 provides a listing of British Columbia's largest defined benefit and defined contribution pension plans. Appendix 2 provides some information about trends in plan solvency and contributions required to meet the solvency requirements set out in the legislation.

Pension Plans – Appendix 1

Table 6: Largest Defined Benefit Pension Plans

Name of Plan	Assets in Plan
Municipal Pension Plan	$24,978,721,000
Teachers' Pension Plan	$16,480,248,000
Public Service Pension Plan	$15,917,850,000
IWA – Forest Industry Pension Plan	$3,212,704,859
British Columbia Hydro and Power Authority Pension Plan	$2,553,980,000
Pulp and Paper Industry Pension Plan	$2,549,084,291
College Pension Plan	$2,358,945,000
Weyerhaeuser Company Ltd. Retirement Plan for Non-union Employees	$959,029,650
Workers' Compensation Board Superannuation Fund	$934,089,461
University of British Columbia Staff Pension Plan	$812,952,487

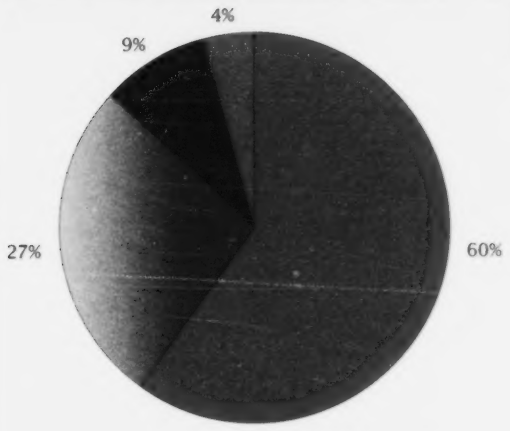
Table 7: Largest Defined Contribution Pension Plans

Name of Plan	Assets in Plan
University of British Columbia Faculty Pension Plan	$1,248,384,637
B.C.G.E.U. Pension Plan	$140,888,840
Employees' Pension Plan for Employees of the Archdiocese of Vancouver	$99,889,678
Pension Plan for Employees of Canadian Ford Dealers/Amalgamated Plan	$68,716,178
7-Eleven Canada Inc. Pension Plan	$63,967,958
Teamsters Canadian Pension Plan	$52,478,812
Skytrain Employees' Pension Plan	$50,305,367
Pension Plan for the Union Employees of Pacific Blue Cross	$47,991,546
Canadian Mennonite Brethren Pension Plan	$47,287,412
BPC BC Labs LP Pension Plan	$41,612,107

Pension Plans – Appendix 2

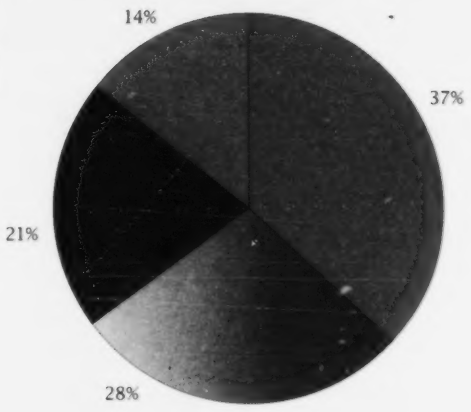
Figures 4–6 show the distribution of funded and solvency ratios for all registered pension plans.

Figure 4: Funded Ratios
All Defined Benefit Plans



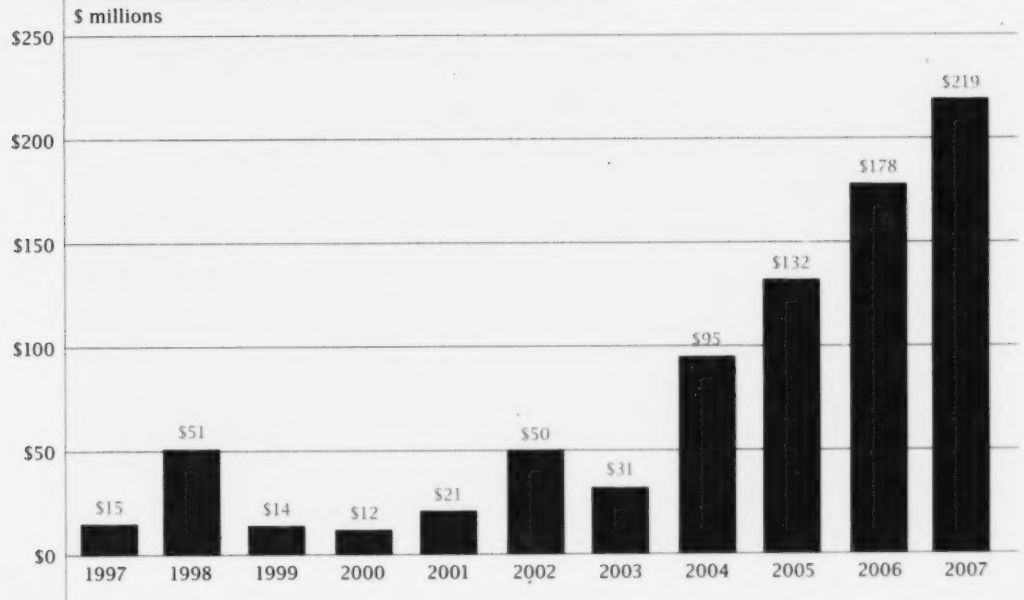
Assuming plans continue indefinitely into the future, 60% of plans are 100% funded or better. Plans less than 100% funded *must* make additional contributions to ensure full funding.

Figure 5: 2007 Solvency Ratio
All Defined Benefit Plans



37% of plans are fully funded on a solvency basis (i.e. the plan was wound up immediately, no further contributions were received and all benefits were paid out).

Figure 6: Solvency Contributions
All Plans

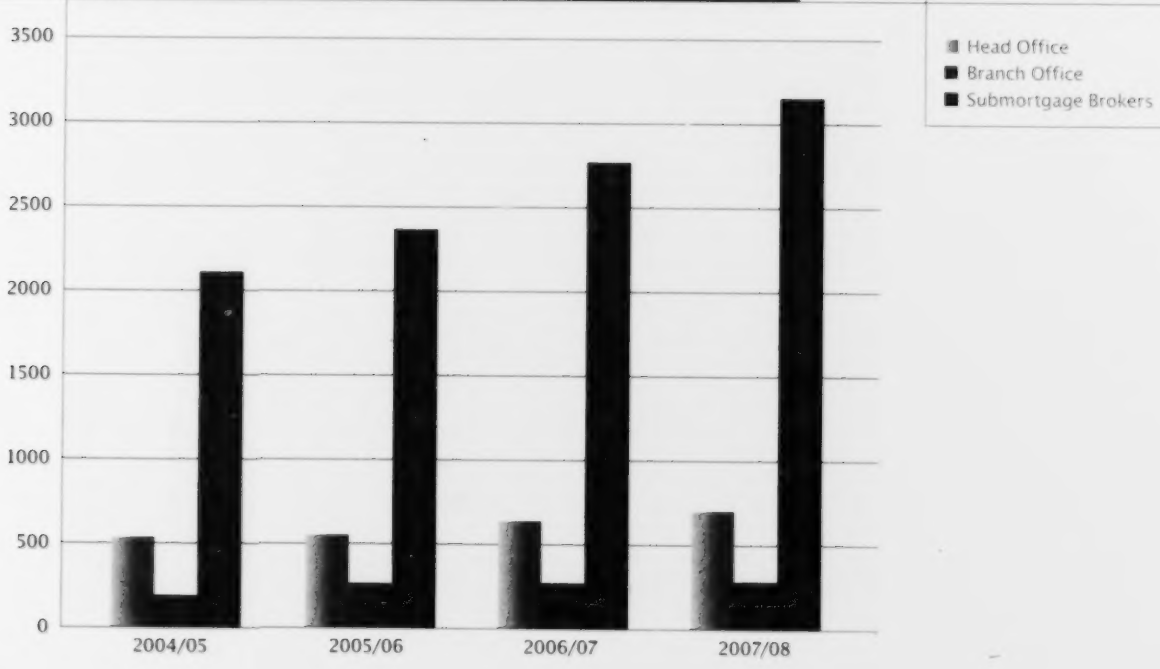


This graph shows the growing impact of solvency contributions to deal with plans that are not fully funded on a solvency basis. Since 2004, annual contributions to increase solvency funding have grown from $95 million to $219 million.

Assuring the Public that British Columbia's Mortgage Brokers are Effectively Regulated

British Columbians continue to use mortgage brokers to arrange their mortgages and invest mortgage funds at unprecedented levels in this province. The evolution in the mortgage broker industry has resulted in a steady rise in the number of mortgage broker registration applicants in 2007/08. We registered 100 new mortgage brokers in the last year, with the total number of mortgage broker registrants increasing by 7.9% to 968. As of March 2008, they employed 3,155 submortgage brokers, which is an increase of 14.1% from the previous year.

Figure 7: Mortgage Broker Growth in British Columbia



During the third and fourth quarters of the year, we saw a decline in the number of new mortgage broker registrants engaging in mortgage lending and administration activities. The number of mortgage investment corporations we registered fell by almost half in the last two quarters of the year from the first two quarters. There was a corresponding increase in the number of new mortgage brokers who performed more traditional mortgage broker services, such as mortgage originations.

Table 8: Mortgage Broker Activities March 2007 to April 2008

	New Mortgage Broker Registrants	% Mortgage Origination	% Mortgage Administration	% Mortgage Lending	% Mortgage Investment Corp.	% Syndicated Mortgages	% Reverse Mortgages
First Quarter	21	76.19%	28.57%	42.86%	19.05%	9.52%	0.00%
Second Quarter	22	72.73%	27.27%	40.91%	13.64%	13.64%	9.09%
Third Quarter	24	70.83%	29.17%	29.17%	8.33%	4.17%	4.17%
Fourth Quarter	33	84.85%	24.24%	30.30%	9.09%	12.12%	3.03%
Total Registrants	100						

We regulate mortgage brokers and the submortgage brokers they employ to arrange, buy, sell, administer, and fund mortgages on residential and commercial real estate in BC. We use a variety of mechanisms to oversee mortgage broker conduct and ensure their compliance with the *Mortgage Brokers Act*. These mechanisms include reviewing financial reports which indicate solvency, conducting extensive background checks on registration applicants, investigating reports of mortgage brokering by persons who are not registered, conducting on-site examinations of mortgage broker operations, and investigating complaints about mortgage brokers from members of the public.

Goal 4 is for British Columbians to have confidence that mortgage brokers are regulated effectively by elevating standards of mortgage broker compliance.

Table 9: Mortgage Broker Registrations in British Columbia

Registered Mortgage Brokers	As of March 2005	As of March 2006	As of March 2007	As of March 2008	Increase from 2007 to 2008
Mortgage Broker Head Offices	525	543	631	693	9.8%
Total Mortgage Broker Head and Branch Offices	707	799	897	968	7.9%
Submortgage Brokers	2107	2366	2765	3155	14.1%

During the last year, we have added additional staff to assist in implementing our comprehensive examination program that was developed in previous years. This program seeks mortgage broker compliance through voluntary measures, where appropriate. Most examinations resulted in mortgage brokers accepting and implementing recommendations from examiners for improved regulatory compliance. However, two mortgage broker examinations revealed that the mortgage broker did not have a viable system in place to manage its operations and resulted in the wind-up of the mortgage broker.

In addition, we developed a program to assess each mortgage broker for regulatory compliance risks. This program will be fully operational by the end of 2009 and will assist in the selection of candidates for examination.

This year we negotiated six consent orders with mortgage brokers and made five hearing decisions, which resulted in mortgage brokers being ordered to pay over $133,000 in penalties and costs. We responded to 20 enquiries or complaints about mortgage brokers who were not registered.

We continue to enhance mortgage broker educational programs through the University of British Columbia. A supplemental course for registration of applicants with previous real estate services education has been implemented, which will reduce certain educational requirements for some registration applicants.

We further reviewed the educational requirements for mortgage lenders and implemented separate educational and registration qualification criteria for mortgage lenders who perform no administration and origination functions, in an effort to better satisfy industry needs.

This year we have devised new trust audit requirements for mortgage brokers who handle trust funds. The new requirements will be implemented in 2009 and will require mortgage brokers to undergo an annual trust audit and file a trust audit report instead of filing audited financial statements. The new reporting requirements are expected to provide a number of benefits, such as providing better public protection by ensuring that trust monies are being handled appropriately, and by reducing the regulatory burden on mortgage brokers who handle trust funds by requiring them to provide a more focused and less costly financial report than audited company financial statements.

We continue to work with mortgage broker regulators from other jurisdictions, including the Real Estate Council of Alberta, in an effort to understand mutual areas of regulatory concern and national mortgage broker issues.

Maintaining service levels and adjusting to the high volume of work remained a challenge for us this year.

Keeping British Columbians' Trust in Multi-Unit Real Estate Development Marketing

Due to the dynamic real estate market in BC, our staff continue to be kept very busy overseeing the marketing of multi-unit real estate developments. The overall number of filings received increased by 10.9% over the last year. In October 2007, there were 330 filings, which is the most FICOM has ever received in one month.

Under the *Real Estate Development Marketing Act*, developers must file disclosure statements with the office of the Superintendent of Real Estate for most types of developments. If a developer does not include the required information in their disclosure statement about the development property—such as development approvals, details about financing, a lawyer's confirmation of ownership of the land and statutory protections for the purchaser—the development must not be marketed in British Columbia.

Under the *Real Estate Development Marketing Act*, this year we reviewed over 1,650 disclosure statements and amendments using a risk-based system.

Table 10 outlines real estate regulation activity over the past four years.

Table 10: Real Estate Regulation in British Columbia

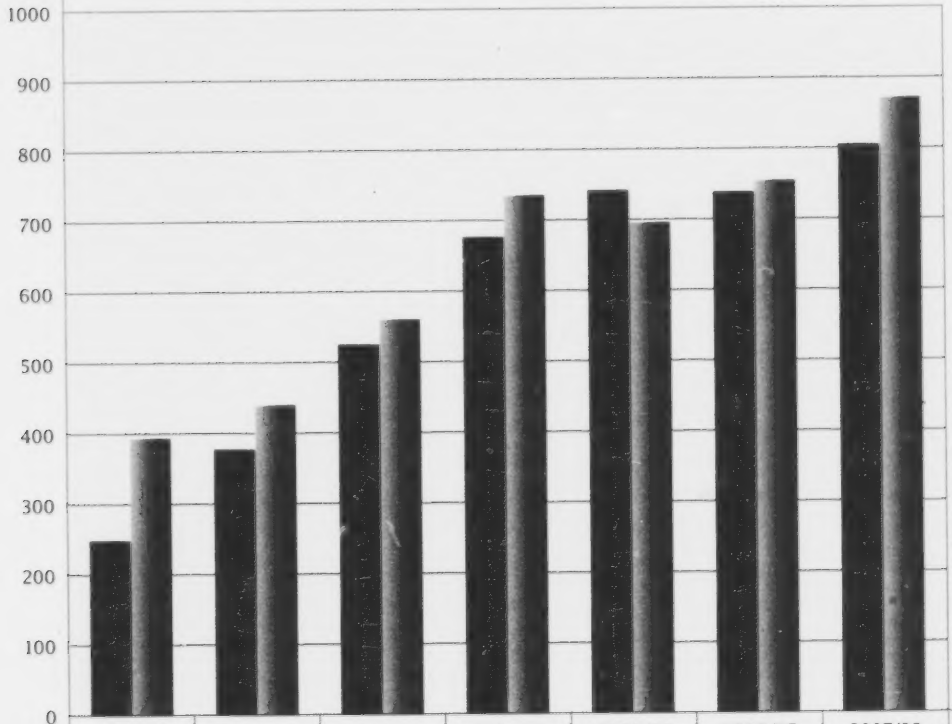
Real Estate Services	04/05	05/06	06/07	07/08
Disclosure Statements	678	741	729	805
Disclosure Amendments	737	697	746	872
Exemptions	10	8	7	4
Strata Property Services				
Strata Plan Forms	314	278	188	196
Rental Disclosure Statements	476	481	505	534

We processed 805 disclosure statements, 872 amendments, and 534 rental disclosure statements. The average turnaround time was eight days. Additionally, 196 strata plan forms were approved in a timely average of less than two days.

Goal 5 is for British Columbians to have confidence in the regulation of multi-unit real estate development marketing and the approval process for strata plans.

The figure below gives a profile of the number of disclosure statements and amendments filed with the Commission in the past seven fiscal years.

Figure 8: Disclosure Statements and Amendments



	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Disclosure Statements	249	378	524	678	741	729	805
Amendments	393	440	561	737	697	746	872

With FICOM's shift over the past several years to a risk-based approach, we increased our scrutiny of higher risk types of developments, which included co-operatives, time shares and foreign lands.

This year the Superintendent of Real Estate introduced two new policy statements. Policy Statement 14 requires additional information in a disclosure statement for development property that has not yet been completed (i.e., units marketed on a "pre-sale" basis). The additional information includes disclosure of provisions in the purchase agreement for terminating, extending or assigning the purchase agreement. New Policy Statement 15 requires every developer to disclose additional information regarding the developer's background and any conflicts of interest.

During the past year, the Superintendent also amended existing Policy Statements 5 and 6, which continue to limit the length of the marketing period and the amount of a deposit prior to the developer obtaining financing and a building permit. The amended policy statements require a written undertaking that marketing ceased upon the expiry of the marketing period, and make clear that a cease marketing order may be issued in the event of non-compliance.

Under the *Real Estate Development Marketing Act*, the Superintendent issued eight cease marketing orders, three refrain from marketing orders, and five consent orders.

The real estate developers who were issued orders are required to make a satisfactory disclosure filing before they market again. One developer was found to be marketing without a disclosure statement and received a first-time administrative penalty of $40,000.

Inadequate disclosure remained one of our biggest challenges in 2007/08. FICOM hired additional staff to review disclosure statements, respond to complaints from the public, and assist in implementing the policy statements.

In-house staff training continued throughout the year, and staff participated in conferences and seminars on real estate development issues.

Deterring Non-Compliance through Investigative Services

Under Goal 6, the investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.

The Investigative Services Department provides support to FICOM's core business areas by responding to complaints and detecting when a regulated entity is not complying with regulatory requirements or is breaking the law.

Complaints are received from a variety of sources including our Contact Centre, members of the public and other government agencies, to name a few. Each complaint is reviewed for possible regulatory and/or criminal breaches. When an investigation is warranted, a complaint file is opened and an investigation is initiated (see Table 11). If regulatory action is recommended, the completed investigation report is sent to one of our two full-time lawyers.

This year, one of the many challenges we faced was the ongoing problems relating to development companies as well as the specific issue of "pre-sale" contract cancellations. A number of investigations arose from allegations of breaches of the disclosure requirements contained within the *Real Estate Development Marketing Act* (REDMA). In several of these instances cease marketing orders were subsequently issued against the offending companies.

Mortgage fraud remains a serious concern to us. Information received by FICOM alleging fraudulent activities by mortgage brokers continues to be on the increase.

During the year complaints related to mortgage brokers, including fraud, accounted for 25% – 30% of total investigative time, while complaints under REDMA increased to 16% – 20% of investigative time.

As in past years, Investigative Services staff members made presentations on mortgage and real estate fraud to various groups, including law enforcement and industry professionals.

As a number of new investigators were hired during the past year, training will remain a high priority in the coming months. A combination of in-house and external training courses are planned, and staff have been encouraged to seek training opportunities that will enhance their professional skills and add value to the organization.

We anticipate that we will face new challenges as the economic situation in the province continues to change. We expect to see a continued increase in real estate development-related complaints and those involving mortgage brokers.

The table below provides a profile of investigation file activities for the past three fiscal years.

Table 11: Investigation File Activity

Activity	2005/06	2006/07	2007/08
Files Open at the Beginning of the Fiscal Year	102	72	74
New Files Opened in the Year with Investigations Initiated	210	207	181
Real Estate Investigations—Initiated	74	92	112
Insurance Investigations—Initiated	27	23	26
Mortgage Broker Investigations—Initiated	74	60	33
Credit Union Investigations—Initiated	22	20	6
Trust Company Investigations—Initiated	6	6	3
Pensions Investigations—Initiated	4	6	1
Miscellaneous Investigations—Initiated	3	0	0
Files Closed	238	201	184
Real Estate Investigations—Concluded	72	82	95
Insurance Investigations—Concluded	37	23	24
Mortgage Broker Investigations—Concluded	91	63	51
Credit Union Investigations—Concluded	16	23	8
Trust Company Investigations—Concluded	5	6	4
Pensions Investigations—Concluded	7	4	2
Miscellaneous Investigations—Concluded	3	0	0
Files Open at the End of the Fiscal Year	72	80	81
Search Warrants Executed	21	4	2
Financial Institutions Act Related Orders Executed	26	13	5
Pensions Benefits Standards Act Related Orders Executed	0	0	0
Mortgage Brokers Act Related Orders Executed	52	63	8
Real Estate Services Act Related Orders Executed	4	8	6
Real Estate Development Marketing Act Related Orders Executed	—	9	4

Goal 7 is that FICOM is administratively effective and efficient.

Administering Our Services Efficiently

The Financial Institutions Commission is a self-funded organization with its revenue generated through fees and assessments on regulated industries. As such, FICOM remains strongly committed to operating effectively and efficiently through its administrative processes, policies and procedures. The Administrative Services departments—Records, Systems, Accounting, Operational Services and Contact Centre—provide support services such as records management, communications, network support and information systems, accounting and budgeting, purchasing, freedom of information requests, policy research, legislative reviews, and performance planning and reporting to FICOM's core business areas.

Our service plan (Financial Institutions Commission Service Plan: Fiscal Year 2007/2008—Fiscal Year 2009/2010) identifies goals, objectives and performance measures for the coming fiscal year, while this annual report (Financial Institutions Commission: Annual Report 2007/2008) provides detailed statistical information and performance data relating directly to the service plan. These publications are available on the FICOM website and are accessible by the general public and stakeholders in accordance with the *Budget Transparency and Accountability Act*.

Our website www.fic.gov.bc.ca provides an array of information regarding financial regulation and direct access to the statutes and regulations we administer. Our Systems Department maintains the site to ensure quick and user-friendly access to timely updates.

Website traffic and enquiry statistics are monitored to ensure that critical information requested by the general public and stakeholders is available online for easy access. The dissemination of information through the website and our Contact Centre is one of the activities being measured in our service plan.

In performing our regulatory duties, we collect financial data and confidential personal information in a multitude of formats from a variety of sources. Our Systems and Records departments have a significant role in ensuring that this information is managed in an efficient and secure manner, is directly accessible to authorized staff and provides the data necessary to effectively regulate in accordance with our mandate. The Systems Department ensures

internal databases and repositories are secure, are routinely backed up and can be restored in the event of destruction, damage or loss. Both departments also ensure that we comply with governmental policy in regards to the security and management of all stored data and information.

Systems support to FICOM is delivered by two teams: Network Operations & Support and Systems Development. The Network Operations team actively supports staff in maintaining reliable information management systems, while the Development team designs, builds and implements customized programs in partnership with the regulatory departments. Both teams work to administer the seamless collection and delivery of relevant information to the core business units. This expertise supports the internal workflows necessary for critical risk-based assessment and ongoing analysis, and ensures future adaptability for those programs throughout their life cycle. This team concept supports our business strategy, where "build versus buy" was chosen for projects and upgrades. Our most specialized business applications in use today were developed and implemented in-house at a cost far less than that of hiring third-party programmers and consultants.

The Records Department is responsible for records management within FICOM and the secure storage of all data and information in hardcopy format. Our Records Supervisor recently attended a symposium (InterPARES 2007) on long-term preservation of authentic records created and/or maintained in digital form. The symposium provided the basis for standards, policies, strategies and plans of action for ensuring the longevity of such material and the ability of its users to trust its authenticity.

The Financial Services Department continues to streamline and improve on our financial reporting, forecasting, budgeting and contract management. This will assist us in making sound financial decisions while ensuring that the reporting mechanism is efficient and effective. The implementation of the new Financial Instrument Standards required under GAAP was completed, while training on the upcoming conversion to the International Financial Reporting Standards is now underway.

Our Contact Centre acts as the first point of contact for incoming enquiries and complaints through the website, toll free enquiry line and email. The inquiry officers provide the public and industry stakeholders with information, direction and referrals on how best to resolve their enquiry. While most general complaints and enquiries are resolved within the Contact Centre, those of a more complex, industry-specific nature are referred to the operational departments for follow-up and resolution or to Investigative Services in the event of a criminal breach. Ongoing communication between the Contact Centre and the operational departments remains crucial to ensure consistent call handling procedures and to continually increase the subject matter knowledge of the Contact Centre staff.

The enquiry and complaint database (ENTRAK) tracks significant inquiries and all complaints received by FICOM. ENTRAK is a responsive electronic database where information relating to inquiries or complaints can be searched, reviewed, and cross-referenced in the event of similar complaints or other "search" conditions. Each enquiry or complaint is assigned a specific industry and topic data "keyword," which allows us to track the information most sought by the public and stakeholders. Changes are then made to the website to provide that type of information online.

Operational Services reports that FICOM received 20 Freedom of Information requests in fiscal year 2007–2008. The majority of these requests were for pensions, investigative and corporate information. All of the requests were processed within legislatively mandated timelines.

To enhance our regulatory performance and to ensure that our legislative framework remains among the most progressive in Canada, the department developed a policy and legislative tracking system to monitor the ongoing development and passage of amendments to the statutes and accompanying regulations that we administer.

FICOM's Financial Report

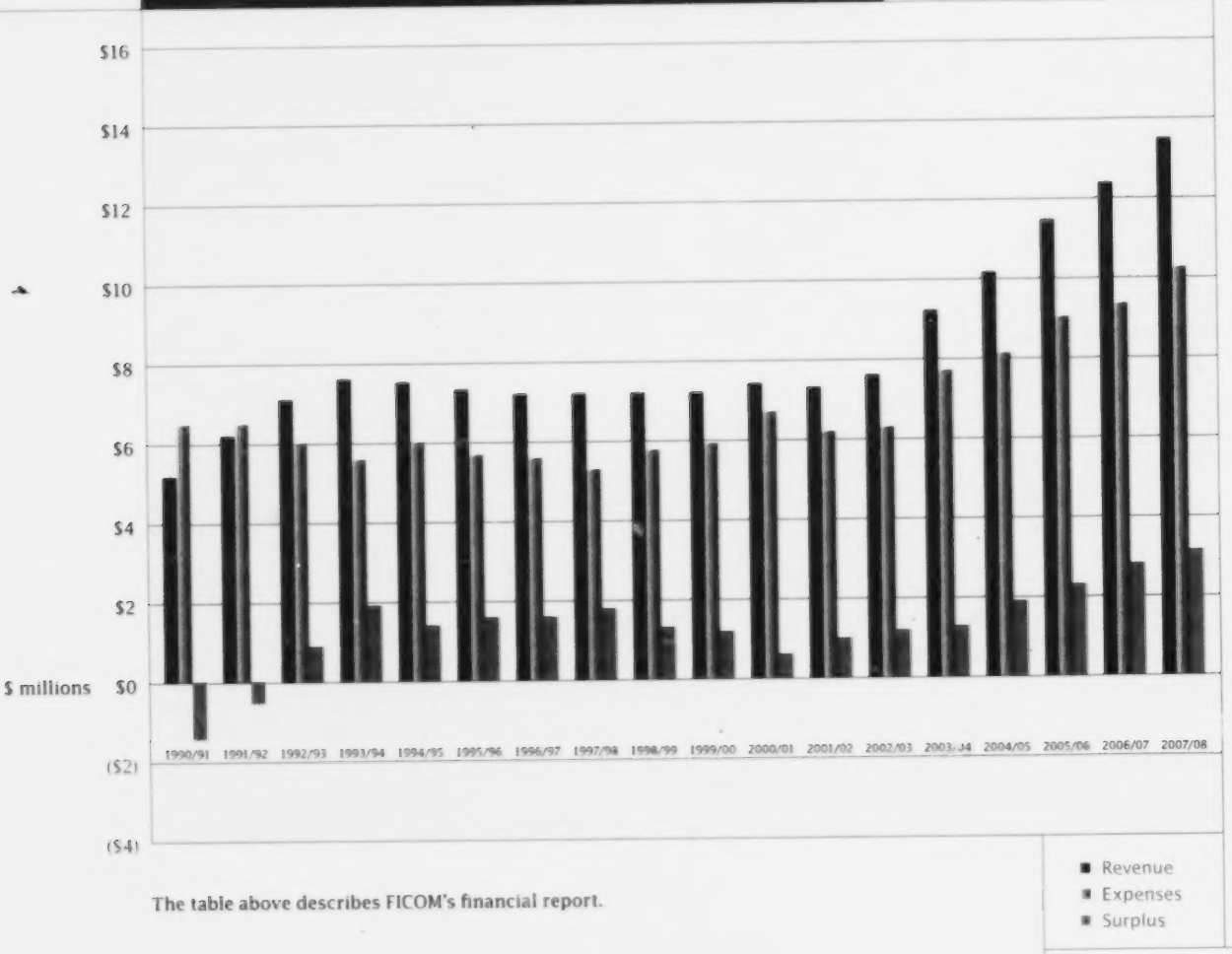
As required by the Ministry of Finance, FICOM's expenditures are fully recovered from fees and assessments. Our funding is provided in the provincial government estimates (in the Budget) for the Ministry of Finance. A nominal net expense of $1,000 is authorized.

In 2007/08, FICOM's gross actual expenditures were $10,399,075. Approximately 77% of the expenditures were for staff and professional services.

Actual recoveries were $13,684,657 in this fiscal year. These consisted of annual licensing fees and assessments; expenditures incurred on behalf of CUDIC for credit union deposit insurance, supervision, and stabilization ($2,085,316); and other expenditure recoveries ($465,778).

In total, FICOM contributed a surplus of $3,285,582 during 2007/08. These monies offset government overheads that were not fully accounted for in our budget.

Figure 9 FICOM Revenues and Expenses 1990-2008



The table above describes FICOM's financial report.

Report on the Credit Union Deposit Insurance Corporation of British Columbia

Who We Are

CUDIC Board of Directors

Chair	**J. Stewart Cunningham**
Directors	**Chris Trumpy (ex officio)** **Mark R. Daniels** **William G. Hopkins** **Vickie McDonnell** **Janet Pau**
Officer	**W. Alan Clark**

All positions effective as of March 31, 2008

Credit Union Deposit Insurance Corporation of British Columbia

What We Do

The Credit Union Deposit Insurance Corporation (CUDIC) of British Columbia is a government corporation that maintains and invests a fund in support of a guarantee of members' deposits with provincial credit unions. All credit unions in the province have deposit insurance coverage with CUDIC.

Our mandate is to guarantee that money on deposit and in non-equity shares is repaid, up to limits prescribed by the *Financial Institutions Act*. If a credit union fails and is unable to pay the money it has either on deposit or in non-equity shares, CUDIC repays that amount, to a maximum of $100,000 for each separate deposit.

Although FICOM and CUDIC are separate entities, FICOM staff administer CUDIC's day-to-day operations.

As of March 31, 2008, the BC deposit insurance fund was worth $281 million, including $20 million held by Stabilization Central Credit Union.

For more information about deposit insurance coverage and CUDIC, please visit www.fic.gov.bc.ca and click on the "CUDIC" button.

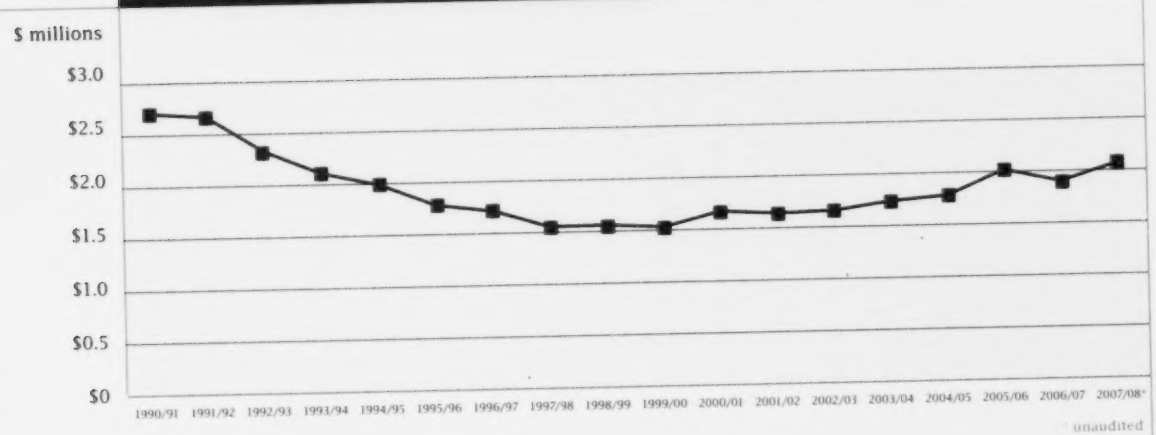
Performance Report

CUDIC's operating processes and procedures have been successfully updated and streamlined to enable efficient oversight of investment fund performance and communication of deposit insurance program particulars to the public and industry stakeholders. The implementation of new accounting software and a new treasury monitoring tool for CUDIC has resulted in consistent reporting data while providing a more detailed monitoring of the CUDIC investment portfolio. There is also ongoing progress in the development of the variable deposit insurance assessment program and contingency plans for deposit insurance payouts.

A working model for the calculation of variable deposit insurance assessments has been finalized for review by BC credit union stakeholders and the deposit insurance fund actuary. This initiative is intended to match financial responsibility with deposit failure risks and to promote prudent risk taking and effective risk management practices.

With the last deposit insurance payout occurring in the late 1980s, related skills and expertise are no longer available. We are in the process of finalizing partnership arrangements to develop, maintain and operate a deposit insurance payout system.

Figure 10: CUDIC's Administration Expenses



*unaudited

Credit Union Deposit Insurance Corporation of British Columbia

Financial Statements March 31, 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

July 16, 2008

Auditors' Report

To the Board of Directors of
Credit Union Deposit Insurance Corporation of British Columbia

We have audited the balance sheet of **Credit Union Deposit Insurance Corporation of British Columbia** as at March 31, 2008 and the statements of income and retained earnings, comprehensive income and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Credit Union Deposit Insurance Corporation of British Columbia

Balance Sheet

As at March 31, 2008

	2008 $	2007 $
Assets		
Cash	2,863	2,114
Other assets	15,455	15,455
Investments (note 3)	263,148,004	239,507,535
	263,166,322	239,525,104
Liabilities and Retained Earnings		
Trade settlements payable	888,240	-
Due to FICOM (note 6)	167,895	196,020
Income taxes payable	80,006	195,053
Future income taxes	189,986	-
	1,326,127	391,073
Retained earnings (note 5)	261,417,332	239,134,031
Accumulated other comprehensive income (note 5)	422,863	-
	263,166,322	239,525,104

Approved by the Board of Directors

Director

Director

The accompanying notes form an integral part of these financial statements.

Credit Union Deposit Insurance Corporation of British Columbia

Statement of Income and Retained Earnings

For the year ended March 31, 2008

	2008 $	2007 $
Revenue		
Investments		
Interest and dividends	10,749,088	9,460,904
Gain on sale of investments	4,578,010	3,574,636
Assessments (note 5)	10,245,966	16,218,247
	25,573,064	29,253,787
Expenses		
Administration (note 6) (schedule)	2,067,207	1,883,867
Investment management fees (note 6)	215,792	206,351
	2,282,999	2,090,218
Income before income taxes	23,290,065	27,163,569
Provision for income taxes (note 4)	1,006,764	916,375
Net income for the year	22,283,301	26,247,194
Retained earnings - Beginning of year	239,134,031	212,886,837
Retained earnings - End of year	261,417,332	239,134,031

The accompanying notes form an integral part of these financial statements.

Credit Union Deposit Insurance Corporation of British Columbia

Statements of Comprehensive Income and Accumulated Other Comprehensive Income

For the year ended March 31, 2008

	2008 $	2007 $
Comprehensive income		
Net income for the year	22,283,301	26,247,194
Other comprehensive loss, net of tax		
Net change in unrealized gains (losses) on available-for-sale assets, net of future income tax recovery of $152,508	(3,912,697)	-
Reclassification of realized gains on available-for-sale assets to net income, net of future income tax of $251,710	(4,326,300)	-
	(8,238,997)	-
Comprehensive income	14,044,304	26,247,194
Accumulated other comprehensive income		
Balance - Beginning of year	-	-
Transition adjustments on adoption of new accounting standards, net of future income tax of $594,204	8,661,860	-
Other comprehensive loss, net of future income tax recovery of $404,218	(8,238,997)	-
Balance - End of year	422,863	-

The accompanying notes form an integral part of these financial statements.

Credit Union Deposit Insurance Corporation of British Columbia

Statement of Cash Flows

For the year ended March 31, 2008

	2008 $	2007 $
Cash flows from operating activities		
Net income for the year	22,283,301	26,247,194
Items not affecting cash		
Gain on sale of investments	(4,578,010)	(3,574,636)
Amortization of discount (premium) on purchase of fixed income investments	669,102	826,662
	18,374,393	23,499,220
Changes in non-cash items		
Trade settlements payable	888,240	(148,994)
Accounts payable and accrued liabilities	-	(137,858)
Due to FICOM	(28,125)	(234,526)
Income taxes payable	(115,047)	63,299
	19,119,461	23,041,141
Cash flows from investing activities		
Purchase of investments	(489,480,278)	(87,791,200)
Proceeds from sale of investments	470,361,566	64,744,643
	(19,118,712)	(23,046,557)
Increase (decrease) in cash	749	(5,416)
Cash - Beginning of year	2,114	7,530
Cash - End of year	2,863	2,114
Supplemental cash flow information		
Income taxes paid	1,121,811	853,076

The accompanying notes form an integral part of these financial statements.

Credit Union Deposit Insurance Corporation of British Columbia

Notes to Financial Statements

March 31, 2008

1 Governing legislation and operations

The Credit Union Deposit Insurance Corporation of British Columbia (the Corporation) is a statutory corporation continued under the *Financial Institutions Act* (FIA) and administered by the Financial Institutions Commission (FICOM) of the Ministry of Finance of the Province of British Columbia. The mandate of the Corporation is to guarantee deposits and non-equity shares of depositors of British Columbia credit unions up to the limits prescribed by the FIA. To meet this mandate, the Corporation undertakes functions set out in the FIA and maintains the deposit insurance fund. FICOM may assess credit unions and/or issue debentures to them to support the deposit insurance fund. No debentures have been issued for the year ended March 31, 2008 (2007 - $nil).

The amount, timing and form of deposit insurance payments or financial assistance that may be required for credit unions is dependent on future events and outcomes. Outcomes that may require financial assistance are rehabilitation, amalgamation or liquidation of credit unions.

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Corporation used in the preparation of these financial statements are described below:

Cash

Cash consists of cash held with banks and other financial institutions.

Changes in accounting policies

On April 1, 2007, the Corporation adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook *Section 1530, "Comprehensive Income"* (Section 1530); *Section 3855, "Financial Instruments - Recognition and Measurement"* (Section 3855); and *Section 3861, "Financial Instruments - Disclosure and Presentation"* (Section 3861). The adoption of these standards resulted in changes in the accounting for financial instruments and the recognition of certain transitional adjustments that have been recorded in opening accumulated other comprehensive income. The new CICA handbook sections are required to be applied retrospectively and the comparative figures are not restated.

Prior to the adoption of these new standards, financial instruments within the scope of Section 3855 comprising cash, investments and accounts payable were recorded at cost or amortized cost. Under the new standards, the Corporation has measured all financial instruments on the balance sheet at fair value on initial recognition and has subsequently accounted for the financial instruments as described in the following section on investments.

The Corporation is also required to present new statements of comprehensive income and accumulated other comprehensive income in its financial statements. Changes in comprehensive income includes both net income and other comprehensive income (OCI). Unrealized gains and losses on available-for-sale securities are the principal component of OCI.

Investments

The Corporation's investment policy permits investment in both fixed income securities and equities. Investment assets are managed on a segregated basis by British Columbia Investment Management Corporation (bcIMC), the Corporation's investment manager and in bcIMC pooled funds.

On adoption of Section 3855, the Corporation classified all investments in bonds and pooled funds as "available-for-sale" (AFS). Investments in bonds and pooled funds are stated at fair value. The calculation of fair value is based on market conditions or estimates at a point in time and may not be reflective of future fair value. Fair value is an estimated amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Investments in bonds and pooled funds are valued at year-end quoted prices where available. For those investments where quoted market prices are not available, estimated fair values are calculated using discounted cash flows that reflect current market yields. Any changes in fair values are recorded in OCI, net of future income taxes, until the financial asset has been disposed of or has become other than temporarily impaired. When the asset is disposed of, or has become other than temporarily impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income (AOCI) are transferred to the statement of income and retained earnings.

A provision for impairment of AFS designated securities is established when there is objective evidence that the investment is impaired and the impairment is other than temporary. Objective evidence of impairment may include financial difficulty of the issuer, bankruptcy or defaults, delinquency in payments of interest or principal, or a significant or prolonged decline in the fair value of the investment below cost.

The adjustment to increase the carrying value of AFS investments from an amortized cost of $239,507,535 to a fair value of $248,763,599 has been recorded as an opening adjustment to AOCI, $9,256,064 less future income taxes of $594,204.

Investment income and expenses

Investment income from investments is recorded on an accrual basis using the effective interest method and distributions from the pooled fund investments are recognized on the distribution date. Gains and losses from investment transactions are calculated on an average cost basis and recorded when realized. Premiums or discounts related to the purchase of bonds are recorded as part of the carrying value of the bond at the date of purchase and are amortized using the effective interest method.

Transaction costs for AFS fixed income securities are added to the value of the security at acquisition and are recognized in net income using the effective interest method or immediately on the subsequent sale of a security.

Credit Union Deposit Insurance Corporation of British Columbia

Notes to Financial Statements

March 31, 2008

Investment management fees payable to the Corporation's investment manager for managing investments in pooled funds are charged directly to the underlying pooled funds in which the Corporation invests. Other investment management fees are expensed as incurred on an accrual basis.

Financial liabilities

Accounts payable and other financial liabilities are measured at amortized cost using the effective interest method.

Foreign exchange

Investments in foreign currency denominated securities are translated into Canadian dollars at the fiscal year-end exchange rate. Purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Realized and unrealized gains arising from these translations are recorded within net realized and change in unrealized gains (losses) in the statement of comprehensive income and accumulated other comprehensive income respectively.

Assessments

The Corporation has established a target fund size in relation to the total of British Columbia credit union system deposits and non equity shares, based upon independent actuarial advice and management's assessment of deposit failure risk (note 5). Assessments are recognized as revenue when due.

Provision for credit union assistance

The Corporation may provide assistance to credit unions in respect of deposit insurance. Specific provisions are established for financial assistance provided to a credit union and deposit insurance claims for a credit union in financial difficulty. These provisions are recorded when it is determined that assistance is likely required and the amount can be reasonably estimated. No payments or accruals were made in relation to credit union assistance in the current or prior year.

Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets, when applicable, are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results may differ from those estimates. Significant areas requiring the use of estimates include the fair value of investments and the requirement for any provision for credit union assistance.

3 Investments

a) Investments - fair value

Investments have been recorded on the balance sheet at fair value in 2008 and at cost in 2007 (see note 2).

	2008		2007	
	Fair value $	**Cost $**	**Fair value $**	**Cost $**
Bonds - direct				
Canadian	39,379,302	38,437,003	88,926,334	87,089,602
Provincial	82,871,035	80,292,094	43,581,668	41,814,591
Municipal	27,495,064	26,315,880	7,100,653	6,644,225
Corporate	48,952,662	48,509,854	483,262	336,509
Pooled funds				
Money market	4,575,371	4,572,350	1,165,665	1,165,720
Government bond	3,424,245	3,337,634	5,145,372	5,117,963
Corporate bond	-	-	48,967,630	49,624,258
Canadian equity	18,091,707	22,355,657	16,318,728	16,710,487
US equity	17,442,791	18,610,594	16,043,020	14,256,933
International equity	18,213,865	17,402,127	19,201,195	14,917,175
Accrued interest	2,701,962	2,701,962	1,830,072	1,830,072
	263,148,004	262,535,155	248,763,599	239,507,535

The Corporation's investments in Canadian equity and US equity pooled funds have a fair value less than cost. Management has reviewed these investments and has determined that the decline in fair value below cost arose principally due to market fluctuations and subsequent to the re-investment of annual pooled fund income and capital gains distributions in the three months preceding year-end. Accordingly the unrealized loss on these investments is not considered to be other than temporary and therefore has been categorized within accumulated other comprehensive income.

Credit Union Deposit Insurance Corporation of British Columbia

Notes to Financial Statements

March 31, 2008

b) Interest rate risk

The Corporation is exposed to interest rate risk on its fixed income investments. Fluctuations in interest rates may adversely impact the Corporation's fair value of investments. The Corporation's investment manager monitors duration and re-pricing risk of fixed income investments. The effective yield and duration of fixed income investments is described below:

	Weighted average rate %	Less than 1 year $	1 to 5 years $	Over 5 years $	Total fair value $
Bonds					
Canadian	3.35	-	20,490,855	18,888,447	39,379,302
Provincial	3.87	8,235,559	20,524,792	54,110,684	82,871,035
Municipal	4.20	-	1,792,170	25,702,894	27,495,064
Corporate	5.01	-	14,374,875	34,577,787	48,952,662
		8,235,559	57,182,692	133,279,812	198,698,063

4 Income taxes

Under the *Income Tax Act*, the Corporation pays income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. To maintain status as a deposit insurance corporation under the *Income Tax Act*, 50% of the cost of the Corporation's investment property must be held in eligible securities, defined as bonds or other fixed income securities issued by the Canadian federal, provincial or municipal governments, or guaranteed by the Canadian federal government.

Income tax expense differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rates of 9.26% (2007 - 9.98%) to income before income taxes. The reasons for the differences are outlined below:

	2008 $	2007 $
Computed tax expense	2,156,660	2,710,924
Increase (decrease) resulting from		
Non-taxable credit union assessments	(948,776)	(1,618,581)
Non-taxable portion of realized gains on equity dispositions	(172,177)	(149,672)
Non-taxable portion of dividends received	(29,453)	(26,825)
Permanent differences	510	529
	1,006,764	916,375

The tax effect of the temporary difference that gives rise to a future income tax liability is presented below:

	2008 $	2007 $
Future income tax liability		
Unrealized gains on available-for-sale financial assets	189,986	-

5 Depositor protection

The deposit insurance fund is comprised of the Corporation's retained earnings, accumulated other comprehensive income and a $20 million letter of credit issued by Credit Union Central of British Columbia (refer to note 7). These combine to form an Ex Ante fund for potential deposit insurance claims.

The target deposit insurance fund size is 84 basis points of total BC credit union deposits, based upon actuarial advice and an assessment of deposit failure risk.

At March 31, 2008, the Corporation's retained earnings and accumulated other comprehensive income represent 71.0 basis points of BC credit union deposits at their last year-ends. Combined with the $20 million letter of credit, the deposit insurance fund amounts to 76.4 basis points.

In 2007, the Corporation assessed BC credit unions $10,245,966 (2006 - $16,218,247). On May 13, 2008 the Board of Directors approved an assessment of 5 basis points for 2008, to augment the deposit insurance fund.

6 Related party transactions

As the Corporation is administered by FICOM, FICOM's administrative expenses relating to the Corporation's mandate are charged back to the Corporation at cost. The allocation of a percentage of salaries to the Corporation is calculated based on the activities performed by FICOM staff on tasks pertinent to the mandate of the Corporation. Other expenses, including occupancy costs, are allocated to the Corporation according to the Corporation's proportionate share of activities. These transactions are conducted in the normal course of business at amounts established and agreed to by both parties.

In the current year, total expenses charged to the Corporation by FICOM amounted to $2,064,566 (2007 - $1,863,088). The balance remaining payable to FICOM at March 31, 2008 was $167,895 (2007 - $196,020).

The Corporation is related to bcIMC, the Corporation's investment manager, which is also a British Columbia provincial crown corporation. Investment management fees of $215,792 (2007 - $206,351) were incurred during the year from bcIMC. The balance payable to bcIMC at March 31, 2008 was $nil (2007 - $nil).

Credit Union Deposit Insurance Corporation of British Columbia

Notes to Financial Statements
March 31, 2008

7 Credit facilities

The Corporation has available a $250,000 unsecured line of credit for operating purposes with Credit Union Central of British Columbia, which bears interest at the prime rate.

In addition, the Corporation is the beneficiary of an irrevocable and unrestricted letter of credit for $20 million issued by Credit Union Central of British Columbia on behalf of Stabilization Central Credit Union. One letter of credit expiring June 13, 2008 was in place at fiscal year-end. A letter of credit expiring June 13, 2009 replaced that agreement on May 15, 2008.

On May 13, 2008 the Board of Directors approved an agreement with the BC Minister of Finance for a $200 million short-term financing agreement to support deposit insurance operations. While advances will not be specifically secured, confirmation of investment holdings will be required prior to advances.

8 Future impact of recently issued accounting standards

Capital Disclosures and Financial Instruments - Disclosure and Presentation

On April 1, 2008, the Corporation will adopt three new CICA Handbook sections: *Section 1535, "Capital Disclosures"* (Section 1535); *Section 3862, "Financial Instruments - Disclosures"* (Section 3862) and *Section 3863, "Financial Instruments - Presentation"* (Section 3863). Section 1535 requires disclosure of an entity's objectives; policies and processes for managing capital; information about what an entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with any capital requirements. Section 3862 and Section 3863 replace handbook Section 3861. Section 3863 carries forward unchanged the requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures related to the nature and extent of risks arising from financial instruments and how the entity manages these risks. The Corporation is currently evaluating the impact of these new standards.

9 Financial instruments

The fair values of financial instruments other than investments, which include cash, income taxes payable, trade settlements payable, and amounts due to FICOM, approximate their carrying values due to their short-term nature.

Investments are exposed to credit risk and price risk. Price risk comprises currency risk, interest rate risk and market risk.

Credit risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to comply with the terms of a contract. The investment policy established by the Corporation limits credit risk by limiting the

maximum exposure to one single issuer and by investing only in securities from counterparties with a minimum rating of at least "BBB" as defined by Moody's, Standard & Poors or Dominion Bond Rating Service.

Currency risk

Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. The fair value of investments exposed to currency risk amounts to $35.7 million.

Interest rate risk

Interest rate risk relates to the possibility that fixed income investments will change in value due to future fluctuations in market interest rates. As fixed income investments are carried at their fair value, the carrying value of investments has exposure to interest rate risk.

Market risk

Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Investments are carried on the balance sheet at fair value and are exposed to fluctuations in fair value. Changes in unrealized gains (losses) to the value of investments are recorded as other comprehensive income, net of any other than temporary impairments which are recognized immediately in net income.

Credit Union Deposit Insurance Corporation of British Columbia

Schedule of Administration Expenses

For the year ended March 31, 2008

	2008 $	2007 $
Salaries and benefits	1,492,433	1,248,170
Building occupancy	209,139	217,890
Professional services	120,623	121,579
Information services	81,962	81,254
Furniture and equipment	73,998	60,580
Other	47,053	100,833
Travel	39,068	46,401
Directors' expenses	2,931	7,160
	2,067,207	1,883,867

Complaints and Enquiries

For general queries related to
the financial services sector:

Financial Institutions Commission
Website: www.fic.gov.bc.ca
Contact Centre: 604.953.5200
Email Enquiries: FICOM@ficombc.ca
Mailing Address:
Suite 1200 – 13450 102nd Avenue
Surrey, BC V3T 5X3

For enquiries and complaints regarding
a licensed real estate agent, salesperson,
property manager or strata manager:

Real Estate Council of British Columbia
Website: www.recbc.ca
Telephone: 604.683.9664
Toll Free in BC: 1.877.683.9664
Fax: 604.683.9017
Mailing Address:
Suite 900 – 750 West Pender Street
Vancouver, BC V6C 2T8

For enquiries and complaints regarding a
licensed insurance agent, adjuster or salesperson:

Insurance Council of British Columbia
Website: www.insurancecouncilofbc.com
Telephone: 604.688.0321
Toll Free in BC: 1.877.688.0321
Fax: 604.662.7767
Mailing Address:
Suite 300 – 1040 West Georgia Street
PO Box 7
Vancouver, BC V6E 4H1

For enquiries and complaints
regarding chartered banks:

Office of the Superintendent of Financial
Institutions (Canada)
Website: www.osfi-bsif.gc.ca
Telephone: 604.666.5335
Fax: 604.666.6717
Mailing Address:
Suite 305 – 1095 West Pender Street
PO Box 11
Vancouver, BC V6E 2M6

For enquiries and complaints regarding
the securities industry:

British Columbia Securities Commission
Website: www.bcsc.bc.ca
Telephone: 604.899.6500
Toll Free in BC: 1.800.373.6393
Fax: 604.899.6506
Email: inquiries@bcsc.bc.ca
Mailing Address:
PO Box 10142
Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2

Deposit Insurance and Compensation Plans

For questions about deposit insurance for banks and trust companies in British Columbia:

Canada Deposit Insurance Corporation
Website: www.cdic.ca
Telephone: 613.992.7124
Toll Free: 1.800.461.2342
Fax: 613.996.6095
Email: info@cdic.ca
Mailing Address:
17th Floor – 50 O'Connor Street
PO Box 2340, Station D
Ottawa, ON K1P 5W5

For questions about deposit insurance for credit unions in British Columbia:

Credit Union Deposit Insurance Corporation of British Columbia
Website: www.fic.gov.bc.ca
Telephone (Enquiries): 604.953.5200
Fax: 604.953.5301
Mailing Address:
Suite 1200 – 13450 102nd Avenue
Surrey, BC V3T 5X3

Most property and casualty insurance companies in Canada are required to be members of the industry insurance compensation program for insolvencies.

Property and Casualty Insurance Compensation Corporation
Website: www.pacicc.ca
Telephone (Enquiries): 416.364.8677
Toll Free: 1.888.564.9199
Fax: 416.364.5889
Email: info@pacicc.ca
Mailing Address:
Suite 210 – 20 Richmond Street East
Toronto, ON M5C 2R9

Most British Columbia insurers that sell life, accident and sickness insurance to the public must be members of:

Canadian Life and Health Insurance Compensation Corporation
Website: www.assuris.ca
Telephone (Enquiries): 416.777.2344
Toll Free: 1.800.268.8099
Fax: 416.955.9688
Email: info@assuris.ca
Mailing Address:
Suite 1600 – 1 Queen Street East
Toronto, ON M5C 2X9

Financial Institutions Commission

Including

- The Superintendent of Financial Institutions
- The Superintendent of Pensions
- The Superintendent of Real Estate
- The Registrar of Mortgage Brokers
- Credit Union Deposit Insurance Corporation of British Columbia

Website: www.fic.gov.bc.ca
Telephone: 604.953.5300
Fax: 604.953.5301
Email: FICOM@ficombc.ca
Mailing Address:
Suite 1200 – 13450 102nd Avenue
Surrey, BC V3T 5X3

Financial Services Tribunal

FICOM houses the Financial Services Tribunal (FST). Created to partially replace the Commercial Appeals Commission, the FST hears appeals from individuals and institutions who want to contest enforcement decisions made by the Insurance Council of British Columbia, the Real Estate Council of British Columbia, the Superintendent of Real Estate, the Superintendent of Pensions, the Registrar of Mortgage Brokers and the Superintendent of Financial Institutions.

For further information, please contact the Deputy Registrar at 604.953.5300, or visit the website at www.fic.gov.bc.ca/fst.